

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NEA-09 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01

AGR-05 DODE-00 H-02 INT-05 L-02 NSC-05 PA-01 SS-15

STR-01 TAR-01 USIA-06 PRS-01 /118 W

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P R 151502Z MAR 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 6025

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

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AMEMBASSY VIENNA

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LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 06722

E.O. 11652: N/A

TAGS: EFIN ETRD OECD FI

SUBJECT: FINNISH RESTRICTIONS AND OECD TRADE PLEDGE

REF: GENEVA 1779

1. SUMMARY. SECGEN EXPRESSED SERIOUS CONCERN TO COUNCIL REGARDING FINNISH IMPORT MEASURES AND THEIR RELATION TO TRADE PLEDGE. COUNCIL WILL RESUME DISCUSSION FOLLOWING FORMAL FINNISH NOTIFICATION AND PREPARATION OF SECRETARIAT PAPER ON SUBJECT. MISSION RECOMMENDS /WASHINGTON CONSIDER U.S. POSITION SERIOUSLY IN LIGHT OF FACT THAT FINNISH ACTION IS FIRST CLEAR-CUT GENERAL IMPOSITION OF RESTRICTIVE TRADE MEASURES SINCE ADOPTION OF PLEDGE. END SUMMARY.

2. DURING MARCH 13 COUNCIL MEETING, SECGEN VAN LENNEP RAIDSED TRADE MEASURES RECENTLY ANNOUNCED BY FINLAND, NOTING THAT PRESS ACCOUNTS INDICATE THAT THESE MEASURES ARE INTENDED TO MEET BALANCE OF PAYMENTS DIFFICULTIES. HE URGED THAT THEY BE VIEWED WITH SERIOUS CONCERN AS FIRST CASE OF IMPOSITION OF RESTRICTIVE MEASURES ON CURRENT ACCOUNT FOR BALANCE OF PAYMENTS REASONS SINCE CONCLUSION OF TRADE PLEDGE.

3. IN RESPONSE, FINNISH AMBASSADOR SAID THAT HIS COUNTRY'S TRADE DEFICIT, WHICH WAS FMK 2 BILLION IN 1973, HAD REACHED 5 BILLION IN 1974' AND STOOD AT 1.7 BILLION FOR FIRST TWO MONTHS OF THIS YEAR. FINANCING OF DEFICIT HAD BECOME INCREASINGLY DIFFICULT, PARTLY FOR REASONS UNRELATED TO FINLAND'S OWN SITUATION. AS PART OF PACKAGE OF MEASURES DESIGNED TO RESOLVE SITUATION, GOF HAD PROPOSED LEGISLATION ESTABLISHING REQUIREMENT FOR SIX-MONTH DEPOSIT OF UP TO 30 PERCENT ON IMPORTS OF CERTAIN QOODS. IN ORDER TO PREVENT SPECULATION WHILE LEGISLATION IS PENDING, GOF HAD TAKEN ACTION EFFECTIVE MARCH 12 TO IMPOSE TEMPORARY LEVY OF 15 PERCENT ON ALL LIMITED OFFICIAL USE

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IMPORTS. HE SAID GOF WOULD FORMALLY NOTIFY TRADE COMMITTEE ACCORDING TO ESTABLISHED PRACTICE IN NEAR FUTURE.

4. VAN LENNEP SUGGESTED THAT COUNCIL DEFER DISCUSSION OF FINNISH MEASURES UNTIL FORMAL NOTIFICATION IS RECEIVED FROM GOF, BUT THAT COUNCIL FOLLOWING NOTIFICATION PROMPTLY UNDERTAKE CONSULTATION AS PROVIDED

FOR IN PARA 5 OF C(74)142(1ST REV.) ON FOLLOW-UP TO
PLEDGE. COUNCIL AGREED TO HIS PROPOSAL THAT FORMAL
COUNCIL DISCUSSION BE HELD AT EARLY DATE. SECRETARIAT
WILL PREPARE PAPER FOR THAT DISCUSSION.

5. COMMENT: IT WOULD APPEAR, ON THE BASIS OF PRELIMIN-
ARY INFORMATION PRESENTED IN COUNCIL AND PRESS REPORTS,
THAT FINNISH ACTION IS FIRST CLEAR-CUT VIOLATION OF TRADE
PLEDGE, SINCE ADOPTION OF THE PLEDGE. (WE RECOGNIZE
OF COURSE THAT ITALIAN IMPORT DEPOSIT SCHEME, WHICH WAS
TECHNICALLY TAKEN PRIOR TO TRADE PLEDGE, CERTAINLY
VIOLATED ITS GENERAL SPIRIT.) IT IS ALSO FIRST ACTION
BASED ON BALANCE OF PAYMENTS ARGUMENT AND CUTTING ACROSS
THE BOARD, IN CONTRAST TO THE MEASURES TAKEN BY OTHER
COUNTRIES WHICH--MORE OR LESS PLAUSIBLY--CAN BE ARGUED
ON BASIS SECTORAL PROBLEMS (E.G. AUSTRALIAN ACTIONS).

6. WHILE MISSION NOT CLOSELY ACQUAINTED WITH DETAILS OF
FINLAND'S ECONOMIC AND FINANCIAL SITUATION, IT COMES AT
A TIME WHEN OECD IN RECENT EPC, /WP-3 AND XCSS MEETINGS
HAS HIGHLIGHTED PROBLEM OF DISPROPORTIONATELY LARGE

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SHARE OF TOTALBALANCE OF PAYMENTS DEFICIT OF OECD
AREA WHICH BEING BORNE BY THE SMALL MEMBER COUNTRIES,
SUCH AS FINLAND. WHILE FINNS HAVE NOTED BOTH AT TRADE
COMMITTEE AND AT XCSS THAT THEIR SITUATION HAD A
SPECIAL TWIST DUE TO UNIQUENESS OF FINNISH TRADING
PATTERNS, OTHER COUNTRIES WITH BALANCE OF PAYMENTS
PROBLEMS CAN EASILY FIND EXCUSES OF THEIR OWN FOR
CONSIDERING FOLLOWING IN FINLAND'S PATH IN TAKING
MEASURES TO RESTRICT TRADE.

7. MISSION BELIEVES THAT IT WILL BE IMPORTANT TO USE
OPPORTUNITY OF FINNISH CASE TO SEEK TO SET RIGOROUS
STANDARD FOR EXAMINATION WHICH SHOULD BE APPLIED IN
CASE OF VIOLATIONS OF TRADE PLEDGE IN ORDER BOTH TO
DISCOURAGE SUCH VIOLATIONS AND TO ENSURE THE EARLIEST
POSSIBLE REVERSAZCOF SUCH VIOLATIONS AS TAKE PLACE. TO
THE EXTENT THAT FINNISH ACTIONS FIND GENUINE JUSTIFICA-
TION IN BALANCE OF PAYMENTS PROBLEM (PARTICULARLY IF
OCCASIONED BY HIGHER OIL PRICES AND SLOWDOWN IN WORLD

TRADE) WE MAY WISH TO TRY TO DUPLICATE TO THE EXTENT
POSSIBLE THE KIND OF SCENARIO OF EXAMINATION THAT MIGHT
TAKE PLACE IF FINANCIAL SUPPORT FUND WERE ALREADY
FUNCTIONING. WHILE WE DO NOT KNOW WHETHER FINNS HAVE
EXHAUSTED THEIR POSSIBILITIES OF OBTAINING FINANCING
FROM IMF AND OTHER SOURCES, PART OF OECD CONSULTATION
WOULD PRESUMABLY HAVE TO COVER QUESTION OF FINLAND'S
BALANCE OF PAYMENTS POSITION (INCLUDING SITUATION ON
WHICH FINLAND'S LONG-TIME INVOCATION OF GATT ARTIC XII
IS BASED), ITS FINANCING POSSIBILITIES AND THE
APPROPRIATENESS OF FINLAND'S OWN ADJUSTMENT POLICIES.
IN SUM, WHILE THE MISSION FINDS IT DIFFICULT TO MAKE
SPECIFIC SUGGESTIONS FROM HERE, WE RECOMMEND THAT
WASHINGTON FIVE VERY SERIOUS S ATTENTION TO OUR RESPOSNE
TO THE FINN'S CHALLENGE TO THE TRADE PLEDGE.

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